

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE  
May 18, 2011  
Staff Report  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A  
QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Richard Fischer*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$62,000,000

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**Project Information:**  
**Name:** Monarch Fountain & La Brea Apartments  
**Project Address:** 1216,1222 & 1234 North La Brea Avenue  
**Project City, County, Zip Code:** West Hollywood, Los Angeles, 90038

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**Project Sponsor Information:**  
**Name:** Monarch La Brea Venture, L.P. ( Monarch Partners I, L.P. and Monarch Investments II, LLC)  
**Principals:** Rodney F. Stone, William Patrick Kruer, George Timothy Kruer, Ryna E. Stone for Monarch Partners I, L.P. and Monarch Investments II, LLC

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Not Applicable  
**Private Placement Purchaser:** Citiank, N.A. Freddie Mac  
**TEFRA Hearing Date:** February 7, 2011

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**Description of Proposed Project:**  
**State Ceiling Pool:** Mixed Income  
**Total Number of Units:** 185, plus 2 manager units  
**Type:** New Construction  
**Type of Units:** Family

A 185 Unit New Construction Mixed Use apartment complex located at the corner of La Brea and Monarch in the East Side Redevelopment Area of West Hollywood. Access to near by parks, schools, shopping and employment opportunities is enhanced with closeby public transportation. After construction, the Project will be offering twenty-three studios, seven 1-bedroom aptmtns and eight 2-bedroom apartments at 50% of the local AMI.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 21%  
21% (38 units) restricted to 50% or less of area median income households.  
**Unit Mix:** Studio, 1 & 2 bedrooms

This is a Mixed Income 20% affordable Project. Twenty-three studios, seven 1-bedroom, and eight 2-bedroom apartments at 50% of AMI.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 77,902,777  
**Estimated Hard Costs per Unit:** \$ 175,193 (\$32,410,701 /185 units)  
**Estimated per Unit Cost:** \$ 421,096 (\$77,902,777 /185 units)  
**Allocation per Unit:** \$ 335,135 (\$62,000,000 /185 units)  
**Allocation per Restricted Rental Unit:** \$ 1,631,579 (\$62,000,000 /38 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to the ground Retail costs being calculation. When the costs are removed the residential per unit costs are lower. In addition, the land costs comprises at least 30% of the total project costs.

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 62,000,000	\$ 48,400,000
Deferred Developer Equity	\$ 15,902,777	\$ 29,502,777
Total Sources	\$ 77,902,777	\$ 77,902,777

<b>Uses of Funds:</b>	
Land Purchase	\$ 23,601,573
On & Off Site Costs	\$ 2,325,702
Hard Construction Costs	\$ 30,084,999
Architect & Engineering Fees	\$ 2,004,774
Contractor Overhead & Profit	\$ 1,300,000
Construction Management Fee	\$ 500,000
Hard Cost Contingency	\$ 2,000,000
Developer Fee	\$ 1,525,000
Cost of Issuance	\$ 1,629,156
Capitalized Interest	\$ 3,624,221
Other Soft Costs (Marketing, fees, etc.)	\$ 9,307,352
Total Uses	\$ 77,902,777

**Description of Financial Structure and Bond Issuance:**

The Project Partnership has obtained Private Placement commitments from Citibank, NA to finance a large portion of the project with tax exempt bonds along with its developer equity. The Citibank portion will be credit enhanced through Freddie Mac and permanent interest rate will be SIFMA + 250 bps.

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**Analyst Comments:**

This is a mixed use development with first floor commercial applications. Using this as a successful formula, the Project will enhance the West Hollywood community with new commercial and living space, as well as self contained parking.

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**Legal Questionnaire:**

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

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**Total Points:** 51 out of 98

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$62,000,000 in tax exempt bond allocation.

**ATTACHMENT A**

**EVALUATION SCORING:**

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	6
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	10
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>118</b>	<b>98</b>	<b>51</b>

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.